MASS. UMS.2: M382/985

Massachusetts Small Business Tax Guide

Massachusetts Small Business Development Center
Capital Formation Service
School of Management
University of Massachusetts at Amherst

UMASS/AMHERST
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December 1985

Massachusetts Department of Revenue

1984 SMALL BUSINESS CORPORATION EXCISE RETURN

(Domestic Corporations Only)

1984 SBC (355)

For calendar year 1984 or taxable year beginning _____, 1984, ending _____

U.S. Business SIC Code | U.S. Employer I.D. Number | Corporate Account Number

Name of Corporation

Present Address of Principal Office

City or Town, State, and Zip Code

U.S. tax return filed: 1120 ☐, 1120-A ☐, 1120S ☐

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NOTE: The corporation **must**

- Satisfy the eligibility requirements listed in the instructions to file For
- Complete all sections of this return or it will be considered incomple
- Attach a copy of U.S. Form 1120 or 1120-A as filed
- Refer to the instructions by item number before entering any amou
- Use the whole dollar method when entering amounts
- Complete Items 15 through 34 before completing the sections belo

1	Taxable Mass. tangible property, if applicable (Item 17e)	x
2	Taxable net worth, if applicable (Item 23c)	x
3	Income taxable in Mass. (Item 34)	x
4	Total excise: Add Item 3 to Item 1 or Item 2, whichever applies	
5	Minimum excise	
6	Excise due: Item 4 or Item 5, whichever is larger	
7	Prepayments:	
7a	Payment on 1984 declaration of estimated tax (include credit from 1983 return)	√7a
7b	Other payments made	√7b

7c is larger than Item 6, enter amount OVERPAID

8 to be REFUNDED

EDITED TO 1985 ESTIMATED TA

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INTRODUCTION

The Capital Formation Service of the Massachusetts Small Business Development Center at the School of Management of the University of Massachusetts at Amherst is pleased to present this tax guide for small businesses.

The purpose of this tax guide is to help the Massachusetts businessperson understand his/her tax obligation to the state and federal governments. Income, sales, and unemployment taxes along with withholding and social security taxes are the predominant tax concerns of most businesses and are outlined within this guide. Every business has a duty to fulfill its legal tax obligations and to maintain this obligation despite any changes in tax regulations or in its business standing. Any discrepancies or shortcomings will become the liability of the business and/or its owners.

It must be clearly understood that this tax guide cannot be substituted for, or be regarded as superseding, the current regulations of the U.S. Internal Revenue Service or the Massachusetts Department of Revenue. This guide is only intended to make the businessperson aware of the general nature of his/her tax obligation and to be a useful tool in fulfilling these requirements.

This guide should allow a business to establish a uniform method to account for its tax responsibility. A system of highlighting those calendar dates that require some type of transaction or performance can be accomplished with the information supplied in the following pages. The checklists on the back pages are provided to help record those transactions.

The first six sections contain information that is applicable to all businesses. Information which is relevant to a particular business is presented in the next four sections according to its form of organization: proprietorship, partnership, corporation, or S corporation. Additional information can be obtained from any office of the Internal Revenue Service or the Massachusetts Department of Revenue. These and other information sources with their addresses and phone numbers are listed in Section XI.

This tax guide was produced through the efforts of Larry Jutres, Director, Capital Formation Service, Massachusetts Small Business Development Center and David Deziel, Research Assistant. The MSBDC is partially funded by the U.S. Small Business Administration and the Massachusetts Department of Commerce and Development under Cooperative Agreement SB-2M-00040-06 through the School of Management, University of Massachusetts at Amherst.

The Massachusetts Small Business Development Center (MSBDC) is a cooperative effort of the U.S. Small Business Administration, the Massachusetts Department of Commerce, and a consortium of higher education institutions led by the University of Massachusetts at Amherst, School of Management. MSBDC, through its network of five regional and two specialty centers, utilizes a professional staff of experienced small business counselors augmented by university faculty and private consultants to offer free technical assistance and counseling, and low cost training and educational opportunities to prospective entrepreneurs or for-profit small businesses in Massachusetts.

CENTERS

STATE OFFICE
University of Massachusetts
205 School of Management
Amherst, MA 01003
(413) 549-4930, ext. 303

CAPITAL FORMATION SERVICE
University of Massachusetts
205 School of Management
Amherst, MA 01003
(413) 549-4930, ext. 303

WESTERN MASSACHUSETTS REGIONAL OFFICE
University of Massachusetts
101 State Street — Suite #216
Springfield, MA 01103
(413) 737-6712

METRO-BOSTON REGIONAL OFFICE
Boston College
96 College Road — Rahner House
Chestnut Hill, MA 02167
(617) 552-4091

NORTH SHORE SATELLITE CENTER
Salem State College
292 Loring Avenue
Salem, MA 01970
(617) 795-0556, ext. 2595

NORTHEASTERN REGIONAL OFFICE
University of Lowell
450 Aiken Street
Lowell, MA 01854
(617) 458-7261

SOUTHEASTERN REGIONAL OFFICE
Southeastern Massachusetts University
P.O. Box 2785, 200 Pocasset Street
Fall River, MA 02722
(617) 673-9783

CENTRAL MASSACHUSETTS REGIONAL OFFICE
Clark University
123 Woodland Street
Worcester, MA 01610
(617) 793-7615

MINORITY BUSINESS AND RESOURCE CENTER
Roxbury Community College
625 Huntington Avenue
Boston, MA 02115
(617) 734-1960

STATEWIDE TOLL-FREE ACCESS
Massachusetts Department of Commerce
100 Cambridge Street — 13th Floor
Boston, MA 02202
(800) 632-8181

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The Massachusetts Small Business Tax Guide was financed by a grant from the U.S. Small Business Administration and the Massachusetts Department of Commerce and Development.

Section I. BUSINESS REGISTRATION

- Starting a new business venture requires certain basic organizational steps, depending upon whether the business is to be a sole proprietorship, a partnership, or a corporation. Limited Partnerships and Corporations must be legally organized and registered with the Massachusetts Secretary of State's Office. Sole Proprietorships and General Partnerships may be operated without such registration.

- When choosing a name for a corporation, first check the availability of the name. Contact:

  Secretary of State, Corporations Division
  One Ashburton Place, 17th Floor
  Boston, MA 02108
  (617) 727-9640 Corporate Names
  (617) 727-8329 Trademarks

- Once a company name is chosen, the chart below indicates requirements for registration based upon business type:

Business Type	*State Form*	*DBA* at Local Town/City Clerk*
Sole Proprietorship (owner's name)	—	—
Sole Proprietorship (with name different than owner's)	—	yes
General Partnership	—	yes
Limited Partnership	Certificate of Limited Partnership**	yes
Corporation	Articles of Organization	maybe

* DBA is a Business Certificate known as "Doing Business As." This does not protect your name as does a corporate name filing or a trademark registration. It only allows consumers and/or creditors to identify the actual owners of a business.

**File with the Corporations Division of the Secretary of State's Office.

- For use in interstate, foreign, or territorial commerce, federal registration for trademarks and/or service marks is required. There is no federal registration for corporate names. Contact:

  The Commissioner of Patents
  Washington, DC 20231
  (703) 557-3158
  (617) 223-7121 (forms only)

- Filing fees for various business registration activities are as follows:

Business Certificate (local)		$ 10
State Reservation of Corporate Name		10
State Reservation Extension (30 days)		10
State Registration for Trademark or Service Mark		35
Corporate Articles of Organization	(minimum charge)	150
Limited Partnership (original)		150
Certificates of Amendment or Cancellation		75
Federal Registration of Trademark or Servicemark	(per class)	175*

*Fee depends on the number of classes trademark or servicemark falls under.

Section II. FEDERAL EMPLOYER IDENTIFICATION NUMBER

- All partnerships and corporations must file *Form SS-4,* application for a federal employer identification number, whether or not they have employees. A proprietorship needs to file only if it expects to have employees, or expects to pay excise taxes. Otherwise, the sole proprietor may use his/her social security number.

- Businesses which pay wages must file for this number on or before the 7th day after the business begins, or

- Businesses must file in sufficient time for the identification number to be included in returns, statements, tax deposits, or other documents. Write "applied for" if you do not receive your number in time for filing.

- This form is available by contacting:

  Internal Revenue Form Distribution Center
  P.O. Box 1040
  Metheun, MA 01844 (or)
  Any District Office of the IRS (check your local phone book)

Section III. MASSACHUSETTS SALES TAX AND MEALS TAX

- All businesses must file *Form TA-1,* which is the same registration form filed for state withholding taxes.

- File *Form 9A* if previous estimated sales tax is *less than $100* for the calendar year. Payment is due *annually,* on January 20th following the close of the calendar year.

- File *Form 9Q* if estimated sales tax *exceeds $100 but is less than $1,200.* Payment is due *quarterly,* on April 20, July 20, and October 20 of the current year and January 20 of the succeeding year.

- File *Form 9M* if estimated sales tax *exceeds $1,200* for the calendar year. Payment is due *monthly,* the 20th day of the following month.

- The sales tax payable is 5% of gross sales.

- The meals tax payable is 5% of gross sales.

- If your estimated meals tax is less than $25,000 for the year, payment is due *monthly,* by the 20th day following the end of the month. File *Form STMAB-4.*

- If your estimated meals tax is $25,000 or greater for the year, payment is due three times per quarter, by the 27th of each month using *Form MP.* Reconciliation statement *Form MAB-QR* is due at the end of each quarter. For specific dates, contact the Department of Revenue.

- Make your payment to:

  Department of Revenue
  P.O. Box 7022
  Boston, MA 02204

- For additional information call:

  Sales Tax: (617) 727-4490
  Meals Tax: (617) 727-4488

- These forms are controlled, therefore the Bureau of Data Services will send you the appropriate forms after filing *Form TA-1.*

Section IV. FEDERAL WITHHOLDING AND SOCIAL SECURITY TAXES

- The IRS sends all businesses the appropriate forms:

  Form 941 — Employers Quarterly Federal Tax Return
  Form 8109 — Federal Tax Deposit Coupon Book
  Circular E — Employers Tax Guide

- Circular E explains how to complete *Form 941* for withholding Federal Insurance Contributions Act (FICA) taxes. Tables are included for determining the employee tax.

- The FICA wage tax rate for 1985 is 7.05% and is limited to $39,600 of the employees wages (other than tips). The maximum tax payable for 1985 is $2,791.80. Even when the FICA limit is met, continue to withhold income tax for the whole year on wages and tips. The 1986 tax rate is 7.15%.

- The employer is obligated to match 100% of the FICA taxes deducted from employees' wages.

- Each month, businesses must add the employer and employee taxes under social security and the federal income tax withheld on employees' wages for that month. The total will determine whether deposits are necessary, and, if so, how often they must be paid.

- If the collected taxes are:

  0-$500 per quarter; pay *quarterly,* April 30, July 31, October 31, and January 31

  $500-$3,000 per month, or accumulated taxes have reached this amount at the end of the 1st or 2nd month of the quarter; deposit within 15 days after the end of the month.

  $3,000-(+) on the 3rd, 7th, 11th, 22nd, 25th, or the last day of the month; deposit within 3 banking days. (This is an eighth monthly period.)

- Deposit taxes with *Form 8109* in a commercial bank authorized to accept tax deposits.

- If a business does not receive a *Form 8109,* it should be obtained from any IRS office in time to file the return when due in order to avoid a fine. Do not mail in your last *Form 8109.* Make copies until your new coupon book arrives.

- File quarterly *Form 941* which records the deposits made on *Form 8109.*

- An employee must report any cash tips totaling $20 or more in a month by the 10th day of the next month. This report must include tips paid to the employee for charge customers. The employee may use *Form 4070* to report tips or give a written statement. *Form 4070* is available at any IRS Office.

- Each employee must complete a *Form W-4* when he/she is hired or before December 1, or if his/her withholding allowance will be different for the next year. The *Form W-4* lists the employee's exemptions.

- Businesses must also provide each employee with a *Form W-2 — Copies B, C and 2* by:

  January 31 following the close of the calendar year, or at the end of his/her employment

  The *Form W-2* shows the employee's earnings and withholding. *W-2 forms* will come with the *Small Business Kit* which is available from the IRS.

- By the last day in February of the following year, send *Form W-2, Copy A* to the Social Security Administration (SSA).

- For more information see *IRS Circular E (Publication 15).* Businesses may be required to file other forms concerning withheld taxes.

- The SSA and the IRS encourage employers to use magnetic media for reports.

  For more information, write:

  Magnetic Media Coordinator
  Internal Revenue Service Center
  Andover, MA 05501

Section V. MASSACHUSETTS WITHHOLDING TAXES

- File *Form TA-1,* which is a registration form required of all businesses. Businesses must make an estimation of their withholding and *sales tax* on this form. The Bureau of Data Services will send businesses the appropriate forms according to the amount of the tax for all employees.

- File *Form M-941A,* if estimated withholding tax is *less than $100* for the calendar year. Payment is due *annually,* on January 31 following the close of the calendar year. (P.O. Box 7004)

- File *Form M-941,* if the estimated withholding tax *exceeds $100 but is less than $1,200* for the year. Payment is due *quarterly* on or before April 30, July 31, October 31, and January 31. (P.O. Box 7042)

- File *Form M-942,* if estimated withholding tax *exceeds $1,200 but is less than $25,000* for the year. Payment is due *monthly* on or before the 15th day of the following month except during March, June, September, and December, when it is due the last day of the following month. (P.O. Box 7038)

- File *Form M-941W,* if the estimated withholding tax *exceeds $25,000.* Payment is due *weekly* on or before the third business day following the 7th, 15th, 22nd, and/or last day of the month. (P.O. Box 7034)

- The withholding tax rate is 5% of wages. The Bureau of Data Services sends businesses an income tax withholding table for computations. *Form M-4,* Massachusetts Employee's Withholding Exemption Certificate, will also be sent.

- Make checks payable to the Commonwealth of Massachusetts. File the return and payment by mailing them to:

  Massachusetts Department of Revenue
  P.O. Box 7004, 7042, 7038, 7034 (see appropriate P.O. Box above)
  Boston, MA 02204

- For further information, contact:

  Massachusetts Department of Revenue
  Taxpayer Assistance Bureau
  100 Cambridge Street
  Boston, MA 02202
  (617) 727-4331

Section VI. UNEMPLOYMENT TAXES

A. Federal Unemployment Tax Act (FUTA)

- Every employer who paid wages of $1,500 in any calendar quarter or who has one or more employees in any 20 calendar weeks must file. Count all regular, temporary, and part-time employees. A partnership should not count its partners.

- For 1985, the tax rate is 6.2% on the first $7,000 of wages paid to each employee during the year. The computation is performed on *Form 940.*

- The FUTA tax is imposed on employers; it must not be collected or deducted from the wages of employees.

- A business receives a credit of 3% if it paid Massachusetts state unemployment taxes. For this reason, compute the tax by multiplying that part of the first $7,000 of each employee's annual wages paid during the quarter by .032 (6.2% - 3.0% + 3.2%). This is shown on *Form 940.*

- For deposit, calculate FUTA taxes quarterly. If the tax is:

  less than $100 per quarter; the business is *not* required to deposit it, but must add it to the taxes for the next quarter.

  more than $100 per quarter; it must be deposited during the first month following the close of the quarter: January 31, April 30, July 31, and October 31.

- Each deposit must be made with *Form 8109 (Deposit Coupon).* A supply of these forms is furnished to business automatically after they have applied for a federal employer identification number, or they may be obtained from an IRS Center.

- An annual return must be filed on *Form 940* on or before January 31 following the close of the calendar year for which the tax is due. Any tax still due is payable with the return. Businesses must file *Form 940,* on a calendar year basis even if they operate of a fiscal year basis.

- *Form 940* may be filed on or before February 10 following the close of the year if all required deposits were made timely and full payment of tax due is deposited on or before January 31.

- The IRS sends copies of *Form 940* to each business. If a business fails to receive them, however, copies are available at Internal Revenue offices.

- Additional information may be found in *IRS Circular E (Publication 15).*

B. State Unemployment Tax

- This statute applies to all business if:

  at least one individual is working at least one day a week in any 13 weeks of a calendar year, or

  at least $1,500 in wages is paid during any calendar quarter (this amount will be determined on *Form 1110).*

- File *Form 1110,* an *Employer's Status Report.* Return *Form 1110* and the Status Department will send an *Employment and Security Number* and the *Employer's Quarterly Contribution Report, Form 0001,* which is for the employer's unemployment tax.

- File *Form 0001,* the *Employer's Quarterly Contribution Report.* This return and payment is due the last day of the month after the close of the quarter. The Division of Employment Security will send *Form 0001* for each quarter.

- The unemployment tax is 3% of wages of each new employee and the limit is $6,000 of wages per employee per year.

- Payment is made to the:

  Massachusetts Division of Employment Security
  Contributions Department
  Charles E. Hurley Building
  Government Center
  Boston, MA 02114

- Form information call (617) 727-6849
  For forms call (617) 727-6708

Section VII. PROPRIETORSHIPS

A. Federal Income Tax

- File *Schedule C (Form 1040)* which reports business operation (profit and loss). The *Schedule C* form is filed as part of an individual's income report on *Form 1040.* The net profit or loss from a business is reported on *Line 12, Form 1040.* If you own more than one business as a sole proprietor, you must prepare a separate *Schedule C* for each business.

- A declaration of estimated income is required to be filed if an estimated income tax return will show a tax balance due of $500 or more, and you estimate that the total amount of income tax will be withheld from your 1985 income will be less than the lessor of:

  80% of the tax to be shown on your 1985 income tax return, or

  100% of the tax shown on your 1984 income tax return (if your return covered all 12 months of the year).

- File *Form 1040-ES,* which is the declaration of estimated tax for the current year, on or before April 15 of the same year. This is the same day the previous year's income tax return is due.

- Proprietorships may pay their estimated tax in full with their declaration or in four equal installments, on or before April 15, June 15, September 15 of the current year, and January 15 of the succeeding year. The first installment must accompany the declaration.

- If a proprietorship uses a fiscal year for its current tax year, *Form 1040-ES* is due on or before the 15th day of the month following the close of your last year tax. Payment of the estimated tax is due in four equal installments due on or before the 15th day of the 4th, 6th, and 9th months of the current tax year and the 1st month of the succeeding tax year.

- As the installments become due, send the payments along with the declaration-voucher included in the *Form 1040-ES* to:

  Internal Revenue Service Center
  Andover, MA 05501

- If a proprietorship finds its estimated tax increased or decreases after filing the declaration, it must show the amended estimated tax in Box A of the next declaration-voucher filed.

B. State Income Tax

- File a Declaration of Estimated Tax on *Form 1-ES* if:

  the business can reasonably expect to receive any income subject to taxation (other than wages subject to withholding) in excess of $500 or

  the tax liability is $4 or more for the year.

- Payment can be in one lump sum on or before April 15 of the current year, or by quarters. The first payment is due with the declaration on April 15. Other installments are due June 15 and September 15 of the current year, and January 15 of the succeeding tax year. Payments are made with the vouchers included with *Form 1-ES.*

- File *Schedule C (State Form 1)* which reports the business operations along with *Form 1,* the personal income return. *Form 1* must be filed if the *gross income* is in excess of $2,000.

- Returns are due on or before April 15 of the following calendar year. See *Form 1* for detailed instructions concerning exemptions and deductions.

- The tax rate is 5.375% of normal income plus a 10.75% income tax on other applicable unearned income. Make payments to:

  Massachusetts Income Tax
  Boston, MA 02204

  Post office box numbers vary; individual forms will provide the current numbers.

- For further information contact:

  Massachusetts Department of Revenue
  Taxpayers Assistance
  100 Cambridge Street
  Boston, MA 02204
  (617) 727-4545

  For toll free information: (800) 392-6089

C. Self-Employment Tax (Proprietorships and Partnerships)

- All self-employed persons, including proprietorships and partnerships, must pay a self-employment tax each year if net earnings are $400 or more.

- The self-employment tax is part of the system for providing social security coverage for persons who work for themselves. A partner must include his/her distributive share of partnership income or loss in computing net earnings from self-employment.

- *Schedule SE (Form 1040)* is used for this computation. The maximum taxable income level for 1985 is $39,600.

- The self-employment tax rate for 1985 is 14.1% less a 2.3% credit (net rate of 11.8%). The 1986 tax rate is 14.2% less a 1.9% credit (net tax rate of 12.3%). The IRS has an optional Self-Employment Tax Table (Publication 533) that may be used as an aid in computing the tax. The self-employment tax must be included in the computation of total estimated tax due on *Form 1040-ES*.

Section VIII. PARTNERSHIPS

A. Federal Income Tax

- *Form 1065,* an information return, is required to be filed by every partnership. *Form 1065* must be filed on or before April 15 of the following calendar year. A fiscal year partnership must file its return by the 15th day of the 4th month following the close of the fiscal year.

- File *Schedule K-1 (Form 1065),* which reports the partners' distributive shares of separately reportable partnership items. *The Schedule K-1* is filed with *Form 1065.* A copy must be sent to the partner.

- Each partner's distributive share of partnership income or loss must be reported on his/her individual return, *Form 1040.*

- Since the partnership itself is not subject to income tax, no declaration of estimated tax is required of it. Yet, the individual members of a partnership may be required to file declaration of estimated tax. The provisions are the same as for a proprietorship. (See Section VII, A.)

B. State Income Tax

- File *Form 1-ES,* a declaration of estimated tax.

- File *Form 3,* an information form, on or before the 15th day of the 4th month after the close of the taxable year, calendar or fiscal.

- File *Schedule E (State Form 1),* which reports the partners' profit or loss, along with:

- *Form 1,* the Individual Income Return. Forms are due on or before April 15 of the following tax year.

  Make payments to:

  Massachusetts Department of Revenue
  P.O. Box 7017
  Boston, MA 02204

- Form specific provisions, see Section VII, B., proprietorship instructions.

Section IX. CORPORATIONS

A. Federal Income Tax

- *Form 1120 or short Form 1120-A,* the Income Tax Return, must be filed by every corporation even if there is no taxable income for the year. *Form 1120* must be filed by March 15. The deadline may be extended six months, however, by filing *Form 7004* and depositing 50% of the tax by March 15, and the remaining 50% by June 15. If you expect a net operation loss carryback, you can file for extension without payment with *Form 1138.*

- For fiscal year taxpayers, *Form 1120 (or Form 7004)* is due on or before the 15th day of the third month following the close of the tax year.

- Payments of income tax must be deposited with a Federal Depository: an authorized commercial bank or a Federal Reserve Bank. The payment must be accompanied by *Form 8109 (Deposit Coupon).* If this form is not supplied, it must be requested from the IRS in time to make the required deposit.

- Every corporation whose estimated tax is expected to be $40 or more is required to make estimated payments.

  Corporate tax rates for 1985:

$ 0-	$ 25,000	15%
25,000-	50,000	18%
50,000-	75,000	30%
75,000-	100,000	40%
100,000-	(+)	46%

- *Form 1120-W* (Worksheet) is an aid for determining the estimated tax and required deposits. This form should not be turned in to the IRS, it is only for the benefit of the corporation.

- The due date of deposits for the current year typically must be made in 4 equal installments on or before the 15th day of: April, June, September, and December.

- The due date of the deposits and amount of installments vary according to the month and day in which the estimated $40 requirement was first met.

- Payments can be deposited with an authorized Federal Depository: Each deposit is made with *Form 8109 (Deposit Coupon.)*

- For fiscal taxpayers, *Form 8109,* estimated tax payments for the current year, are due on or before the 15th day of the 4th, 6th, 9th, or 12th months of the current tax year, depending on when the business first met the requirements for filing.

- In the case of a net operating loss, the NOL may be used as a carryback 3 years before the NOL year, or used as a carryover 15 years after the NOL year. (See Publication 536.)

- State income taxes paid are deductible from federal taxable income.

B. State Income Taxes (Excise Tax)

- File *Form 355A,* the Corporation Excise Return. This return, together with the account number card, which will be sent to the business, and the entire amount of the tax, less any estimated tax payments made, is due and payable on the 15th day of the 3rd month after the close of the taxable year, calendar or fiscal.

- *Form 355-ES,* Declaration of Estimated Income Tax Form is required to be filed if the corporation can reasonably estimate its corporate excise tax to be in excess of $1,000 for the year.

- The business is required to file a declaration of estimated tax on or before the 15th day or the 3rd month of the taxable year and pay quarterly, 30%, 25%, 25%, and 20%, respectively. Payment is due on the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year.

- The Massachusetts Corporation Excise Tax is computed on either *Form 355A, Form 355B for foreign corporations,* or *Form SBC for Small Business Corporations,* and includes the following:

  a tax of $2.60 per $1,000 on:

  A. taxable Massachusetts tangible property, or
  B. taxable net worth *and*

  a tax of 9.5% on Massachusetts taxable income, or $228 (whichever is greater). $228 is the minimum amount of tax.

- All new corporations may carryforward their losses for the first five years of their existence, terminating on the fifth year. However, the $228 minimum tax is still applicable.

- These forms should be file with the:

  Massachusetts Department of Revenue
  P.O. Box 7005
  Boston, MA 02204

  If it is necessary to contact the Department of Revenue directly, the address is:

  Taxpayer's Assistance
  100 Cambridge Street
  Boston, MA 02204
  (617) 727-4271
  Toll-free information (800) 392-6089

- The Western Massachusetts Office is located at:

  436 Dwight Street
  1st Floor, Room 105
  Springfield, MA 01103
  (413) 737-1424

  Make check or money order payable to the Commonwealth of Massachusetts.

Section X. S CORPORATIONS

A. Federal Income Tax

- Once incorporated, a business may elect not to be subject to the corporate income tax. If the corporation qualifies for S status, its income will be taxed to the shareholders as individuals. Any attorney or accountant can help to decide if certain tax provisions are beneficial to your corporation.

- To qualify for this election, the corporation must meet the following requirements of a small business corporation.

  It must be a domestic corporation (U.S. corporation).

  It must not have a subsidiary, or be a member of an affiliated group of corporations.

  It must have only one class of stock.

  It must only have individuals or their estates as shareholders.

  It must not have a nonresident alien as a shareholder.

  It must not have more than 35 shareholders.

  It must not be a DISC or former DISC (Domestic International Sales Corporation).

  It must not have tax credits for doing business in the U.S.

  It must not be a financial institution that takes deposits or makes loans.

  It must not be an insurance company taxed under Sub-chapter L of the IRS code.

- The election may be made by a qualified corporation at any time within the first 75 days of the tax year, or any time during the preceding year.

- *Form 2553, Election by a Small Business Corporation,* must be filed with the Internal Revenue Service Center. This form is to make an election to become an S Corporation.

- File *Form 1120-S,* which is the U.S. Small Business Corporation Income Tax Return. This report is informational since the income of the S Corporation is taxable to the owners just as the income of a partnership. The individuals will report their profit or loss on *Form 1040.*

- *Form 1120-S* must be filed by March 15 following the close of the calendar year. Fiscal year returns are due on the 15th of the 3rd month following the close of the year.

- *Form 1120-S* must be filed with:

  Internal Revenue Service Center
  Andover, MA 05501

- An S Corporation may be subject to capital gains tax if:

  net long-term capital gain exceeds its short-term capital loss by more than $25,000 and exceeds 50% of its taxable income; and

  its taxable income for the year exceeds $25,000. (See Publication 589.)

- This capital gains tax is paid with *Form 8109 (Deposit Coupon).*

B. State Income Tax

- The state does not recognize an S Corporation. An S Corporation must file *Form 355A, Form 355B, or Form SBC,* and follow the same provisions as a corporation.

Section XI. ADDITIONAL INFORMATION

- For Federal Tax Information and Problem Resolution call:

  Boston: (617) 523-1040
  Worcester: (800) 424-1040
  Springfield: (800) 424-1040

- To order additional federal forms contact (toll free):
  Form Distribution Office (800) 892-0288, or in Boston, call (617) 367-1040.

- Additional information concerning the small business tax workshop in Boston and the Small Business Tax Kit (Publication 454 — a very helpful kit which includes forms required and additional information) can be obtained by contacting the Federal Tax Information and Problem Resolution numbers listed above, or:

  IRS Small Business Tax Workshop Coordinators
  P.O. Box 9088
  Boston, MA 02203
  (617) 223-5177

- Extensions for filing forms and making payments are available on the required forms. Penalties result if provisions for extensions are not met.

- Due dates will vary according to changes in the yearly calendar. Saturdays, Sundays, and legal holidays must be taken into account. Fiscal year taxpayers must double check deadlines for filing forms and making payments since due dates are not specifically written out on required forms.

Section XII. LISTING OF APPLICABLE FORMS AND PUBLICATIONS

A. Forms: Federal

• 940	Employer's Annual Federal Unemployment Tax Return
• 941	Employer's Quarterly Federal Tax Return
• 1040	U.S. Individual Income Tax Return
• Schedule C, 1040	Profit (Loss) from Business or Profession (Sole Proprietorship)
• 1040-ES	Declaration of Estimated Income Tax for Individuals
• Schedule SE 1040	Computation for Social Security Self-Employment Tax
• 1065	U.S. Partnership return for Income (plus instructions)
• Schedule K-1, 1065	Partner's Share of Income, Credits, Deductions, etc.
• 1120	Corporation Income Tax Return
• 1120-A	Corporation Income Tax Return (short form)
• 1120-S	U.S. Small Business Corporation Income Tax Return (S Corporation)
• 1120-W	Corporation Income Tax Return Worksheet
• 1138	Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback
• 2553	Election by a Small Business Corporation (S Corporation)
• 7004	Application for Extension
• 8109	Federal Tax Deposit Coupon Book
• SS-4	Application for Employer Identification Number
• W-2	Federal Withholding Statement
• W-4	Federal Withholding Form

Publications: Federal

• 15	Employers Tax Guide (Circular E)
• 17	Your Federal Income Tax (an income tax guide for individuals)
• 334	Tax Guide For Small Business
• 454	Small Business Tax Kit
• 505	Tax Withholding and Estimated Tax
• 509	Tax Calendars for 1985
• 533	Self-Employment Tax
• 538	Accounting Periods and Methods
• 539	Employment Taxes and Information Return Requirements
• 541	Tax Information on Partnerships
• 542	Tax Information on Corporations

- 583 Information for Business Taxpayers — Business Taxes, Identification Numbers, Recordkeeping
- 589 Tax Information on S Corporations
- 910 Taxpayer's Guide to IRS Information Assistance, and Publications

B. State

- State Instructions, for Form 1-ES, Declaration for Estimated Income Tax, and Worksheet for Estimated Tax
- State Form 1-ES, Declaration of Estimated Tax for Individuals
- State Form 1-ES, Estimated Tax Payment — Voucher
- State Instructions for State Form 1, Massachusetts Resident Income Tax
- State Form 1, Resident Individual Income Tax Return
- State Form Schedule C, Profit or Loss from Business or Profession
- State Form 3, Massachusetts Department of Revenue Partnership Return of Income
- State Instructions for Form 355A
- State Form 355A, Massachusetts Corporation Excise Return
- State Form 355B, Massachusetts Corporation Excise Return for Foreign Corporations
- State Form SBC, Massachusetts Corporation Excise Return for Small Business Corporations
- State Form 335-ES, Massachusetts Declaration of Estimated Income tax
- State Form TA-1
- State Instructions for Employer's Returns of Massachusetts Income Taxes Withheld
- State Form M-4, Massachusetts Employer's Withholding Exemption Certificate
- State Tax Tables for Withholding
- State Form 1110-A, Instructions for Filing
- State Form 1110, Employer's Status Report
- State Form 0001, Employer's Quarterly Contribution Report

C. General Taxes and Forms (regardless of business Organization)

- Federal Employer Identification Number — SS-4
- Employer's Quarterly Federal Tax Return — 941
- Federal Tax Deposit Coupon Book — 8109
- Federal Withholding and Social Security Taxes Information — W-2, W-4
- Federal Unemployment Tax — 940
- State Registration for Withholding, Meals, and Sales Taxes — TA-1
- State Sales and Meals Taxes — 9A, 9Q, or 9M
- State Withholding Taxes — M-941A, M-941, M-942, or M-941W
- State Unemployment Tax — 1110
- State Employer's Quarterly Contribution Report — 0001

XIII. TAX PAYMENT CHECKLIST

	Period	Federal Income	State Income	Self-Employment	Federal FICA	Federal Withholding	State Withholding	State Sales	Federal Unemployment	State Unemployment
Proprietorship	*1st Quarter*									
	2nd Quarter									
	3rd Quarter									
	4th Quarter									
Partnership	*1st Quarter*									
	2nd Quarter									
	3rd Quarter									
	4th Quarter									
Corporation	*1st Quarter*									
	2nd Quarter									
	3rd Quarter									
	4th Quarter									
TOTALS										

This form may be used as a convenient checklist or for actual recording of liabilities and payment. Begin at the appropriate business section and make entries in the individual categories on the date of the transaction.

XIV. TAX FORMS CHECKLIST

YOU MAY BE RESPONSIBLE FOR THE FOLLOWING FORMS:	SOLE PROPRIETORSHIP	PARTNERSHIP	CORPORATION	S CORPORATION
Federal Income Tax	1040, Schedule C	1040, Schedule C	1120 or 1120-A	1120-S
Declaration of Estimated Federal Income Tax	1040-ES	1040-ES		
Federal Income Tax Extension			7004	
Federal Income Tax Extension Without Payment			1138	
Federal Income Tax Worksheet			1120-W	
Federal Self Employment Tax	1040-SE	1040-SE		
Federal Information Return		1065, Schedule K-1		
Federal Election By a Small Business Corporation				2553
State Income Tax	Form 1, Schedule C	Form 1, Schedule C		
Declaration of Estimated State Income Tax	Form 1-ES	Form 1-ES	355-ES	355-ES
State Corporate Excise Tax			355A, 355B, SBC	355A, 355B, SBC
State Information Form		Form 3		

Massachusetts Small Business Development Center
Capital Formation Service
205 School of Management
University of Massachusetts
Amherst, MA 01003